

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **202050001**

Release Date: 12/11/2020

Index Number: 4053.00-00, 4051.00-00

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PSI:B07 – PLR-100177-20

Date:

September 04, 2020

LEGEND

Taxpayer =

Forage Box Body 1 =

Forage Box Body 2 =

Semitrailer Forage Box =

Construction Features =

Component 1 =

Component 2 =

Accessories =

X =

Y =

Z =

Material =

Dear

This letter responds to a letter ruling request dated December 10, 2019, submitted on your behalf by your authorized representative, requesting rulings under § 4053(2) of the Internal Revenue Code (the Code).

FACTS

According to the facts submitted, Taxpayer designs, manufactures, and sells specialty forage box bodies and semitrailers. Taxpayer requests rulings that its Forage Box Body 1, Forage Box Body 2, and Semitrailer Forage Box, (collectively, Forage Box Bodies) are not taxable under § 4051 because all three are primarily designed and built by Taxpayer to haul feed, seed, and fertilizer to and on farms, and as such, meet the exemption under § 4053(2). Forage Box Body 1 and Forage Box Body 2 can be installed on a semitrailer, trailer, or truck chassis. The buyer provides its own chassis to Taxpayer, who installs Forage Box Body 1 or Forage Box Body 2 on to the chassis. Semitrailer Forage Box is a semitrailer with a _____ that has Construction Features but _____ However, it does contain components which contribute to the transportation function and serve as a chassis. These components are the landing gear, running gear (axles, wheels, tires, hubs, and brakes), Component 1, Component 2, leaf spring suspension, other suspension components, and additional equipment and accessories that contribute to the transportation function or safety of these components (including, but not limited to, bumpers, lights, license plate holders, etc.) attached to either Component 1 or Component 2, (collectively, Chassis Components). Taxpayer has not included these components in its ruling request. Each of the Forage Box Bodies has special design

features that demonstrate that the Forage Box Bodies are primarily designed to haul feed, seed, and fertilizer to and on farms. Moreover, the designs lack elements that would allow a person to practically use the Forage Box Bodies to transport anything other than feed, seed, and fertilizer to and on a farm.

All of Taxpayer's Forage Box Bodies are _____, heavy-duty farm bodies that are designed to travel alongside a forage harvester and receive feed as it is harvested. The _____ construction causes the Forage Box Bodies to be heavier than similarly sized bodies that are designed to haul products on the highway.

All of Taxpayer's Forage Box Bodies have an _____ unloading system. The _____ is designed to unload forage faster than other live-bottom floor designs. Fresh cut forage begins to lose nutrients and moisture quickly, so a fast-moving _____ that moves the forage quickly into the silos helps reduce this loss

_____ that would be necessary to haul anything other than forage. Taxpayer uses a Material for the floor of the Forage Box Bodies that withstands _____ and the corrosion caused by the forage. The floor is supported by X wide cross members spaced at Y intervals, giving the floor direct support under less than Z percent of its surface. The unloading system and floor design prevent the body from being able to carry dirt, gravel, sand or other general products as they would damage the _____. The unloading system and floor design also prevent the body from being able to carry pallets or any other load which would need a forklift to load or unload.

The Forage Box Bodies also uniformly lack _____ operation on public highways, as these bodies are only used seasonally for harvest.

Specifically, Forage Box Body 1 and Forage Box Body 2 feature a _____ that runs the length of the box underneath to add integrity to the frame and provide a mounting system for the chassis.

Semitrailer Forage Box differs from the other two body types because it is a _____ chassis though it does possess components which contribute to the transportation function. The rear axle,

_____ This design feature also reduces hauling capacity. Semitrailer Forage Box is also designed with Construction Features. Its _____ design means that

_____ The Semitrailer Forage Box does not have the _____ present in Forage Box Body 1 and Forage Box Body 2.

RULINGS REQUESTED

Taxpayer requests the following rulings:

1. Taxpayer's sale of Forage Box Body 1 models are not subject to the § 4051 tax because the bodies are primarily designed to haul feed, seed, or fertilizer to and on farms pursuant to § 4053(2) of the Code.
2. Taxpayer's sale of Forage Box Body 2 models are not subject to the § 4051 tax because the bodies are primarily designed to haul feed, seed, or fertilizer to and on farms pursuant to § 4053(2) of the Code.
3. The components of Semitrailer Forage Box models attributable to the semitrailer body are not subject to the § 4051 tax upon Taxpayer's sale of Semitrailer Forage Box models because the bodies are primarily designed to haul feed, seed, or fertilizer to and on farms pursuant to § 4053(2) of the Code.

LAW

Section 4051(a)(1) of the Code imposes a 12 percent tax on the first retail sale of certain articles (including in each case parts or accessories sold on or in connection therewith or with the sale thereof), including automobile truck bodies, truck trailer and semitrailer chassis and bodies.

Section 4053(2) provides that the tax imposed by § 4051 shall not be imposed on any body primarily designed – (A) to process or prepare seed, feed, or fertilizer for use on farms, (B) to haul feed, seed, or fertilizer to and on farms, (C) to spread feed, seed, or fertilizer on farms, (D) to load or unload feed, seed, or fertilizer on farms, or (E) for any combination of the foregoing.

Section 145.4051-1(a)(2) of the Temporary Excise Tax Regulations Under the Highway Revenue Act of 1982 (Pub. L. 97-424) provides that a chassis or body is taxable under § 4051(a)(1) only if such chassis is sold for use as a component of a highway vehicle (as defined in § 48.4061(a)-1(d)) which is an automobile truck, truck trailer or semitrailer, or a highway type tractor used in combination with a trailer or semitrailer.

Section 48.4061(a)-1(d)(1) of the Manufacturers and Retailers Excise Tax Regulations provides that the term “highway vehicle” means any self-propelled vehicle, or any trailer or semitrailer, designed to perform a function of transporting a load over public highways, whether or not also designed to perform other functions.

Section 7701(a)(48)(A), which supersedes the exception to the definition of highway vehicle in § 48.4061(a)-1(d)(2)(ii), provides that a vehicle shall not be treated as a highway vehicle if such vehicle is specially designed for the primary function of transporting a particular type of load other than over the public highway and because of this special design such vehicle's capability to transport a load over the public highway is substantially limited or impaired. A vehicle's design is determined solely on the basis of its physical characteristics. Section 7701(a)(48)(A)(iii) further provides that in determining whether a substantial limitation or impairment exists, account may be taken of factors such as the size of the vehicle, whether such vehicle is subject to the licensing, safety, and other requirements applicable to highway vehicles, and whether such vehicle can transport a load at a sustained speed of at least 25 miles per hour. It is immaterial that a vehicle can transport a greater load off the public highway than such vehicle can transport over the public highway.

Rev. Rul. 69-579, 1969-2 C.B. 200, holds that certain automotive truck bodies equipped with heavy-duty unloading equipment and used primarily for hauling feed, seed, and fertilizer to and on farms, are exempt from the manufacturers tax under § 4063(a)(2)(B) (this is the predecessor to the § 4053(2) exemption provided for retailers tax purposes).

The revenue ruling describes truck, trailer, and semitrailer bodies that contain heavy-duty mechanical or pneumatic type unloading equipment specially designed to facilitate unloading on the farm. The unloading equipment is built into, and forms an integral part of the bodies, adding substantially to their cost and weight, and limiting their load-carrying capacity. The mechanical system uses conveyors and augers, and unloads from the top of the body; the pneumatic system uses a blower and hose, and usually unloads from the bottom and rear of the body. Each system is activated by a power take-off from the truck engine. The bodies are usually divided into separate compartments and are either open at the top or completely enclosed.

The revenue ruling states that the elaborate and expensive unloading systems built into these bodies, and the modifications of the bodies required to accommodate the unloading systems, make it impracticable to purchase the bodies for use other than in hauling feed, seed, or fertilizer on farms, and are exempt from the manufacturers tax by virtue of the § 4063(a)(2)(B) exemption.

Rev. Rul. 70-547, 1970-2 C.B. 264, holds that two-wheel mountings or undercarriages that do not have identifiable chassis frames, and which are primarily designed for use in combination with a taxable truck, are recognizable, and taxable, as a trailer or semitrailer chassis. The revenue ruling describes these undercarriages as consisting of a spring and axle assembly with wheels, and a separate tongue and hitch assembly, all constructed so that it may be welded or bolted directly to the base of the equipment for which it serves as an undercarriage. Other parts that may be included

with the undercarriages are braces, fenders, jack, taillights, wiring, and a license plate bracket.

Rev. Rul. 78-8, 1978-1 C.B. 341, analyzes whether a semitrailer of unitized construction with a body primarily designed to haul feed, seed, and fertilizer to and on farms is considered to have a taxable chassis. The revenue ruling holds that although the semitrailer has no identifiable chassis frame, it has an undercarriage that performs the transportation function of a chassis. Accordingly, those elements that make up the undercarriage and contribute to the transportation function are a semitrailer chassis suitable for use as a component of a highway vehicle. The revenue ruling specifically identifies the keel assembly, the kingpin plate, landing and running gear, and any additional equipment and accessories installed by the manufacturer that are related to the basic function or safety of the chassis as taxable.

Rev. Rul. 78-308, 1978-2 C.B. 259, addresses whether the attachment of a wrecker body and crane and the attachment of a light, mirrors, or a bumper to a chassis constitute further manufacture. It holds that they do not, however notes that the light, the mirrors, and the bumper are taxable parts or accessories.

Rev. Rul. 2004-80, 2004-2 C.B. 164, addresses the definition of the term “primarily designed” as that term is used in distinguishing a truck from a tractor for purposes of § 4051(a)(1). The revenue ruling states that the term “primarily designed” means principally designed. It does not mean exclusively designed.

Notice 2017-5, 2017-16 I.R.B. 779, (originally published as Notice 2016-81), provides interim definitions of the terms “chassis” and “body” for purposes of § 4051(a)(1). Specifically, section 3.01 of the notice provides that a “chassis” is the vehicle’s frame and supporting structure and all those components attached to it. Further, section 3.02 of the notice defines a “body” as the cargo or load carrying structure of a truck, trailer, or semitrailer. Examples of a body include, but are not limited to, a flatbed body, a tanker body, and a box body.

ANALYSIS & CONCLUSIONS

The exemption from tax provided by § 4053(2) does not extend to bodies primarily designed for general use, even though the bodies may be capable of hauling feed, seed, and fertilizer to and on farms or performing other functions described in § 4053(2). To be exempt, a body must be primarily designed for one of, or a combination of, the functions described in § 4053(2).

In requesting tax-exempt treatment for Forage Box Body 1, Forage Box Body 2, and Semitrailer Forage Box, Taxpayer submitted a letter ruling request that was detailed and comprehensive. To complement the extensive factual discussion, the letter ruling request included engineering schematics and numerous full-color photos.

The Forage Box Bodies contain an unloading system that is built into, and forms an integral part of, the bodies. The special unloading system is elaborate, limited in the products it is compatible with, and adds substantially to the cost of each body. Thus, like the specially designed bodies described in Rev. Rul. 69-579, purchase of the subject bodies for use other than in hauling feed, seed, or fertilizer to and on farms, would be impractical.

Further, the detailed information provided by Taxpayer highlights a number of other specific features, including the heavy body design, the (on the Semitrailer Forage Box), and the that indicate they are primarily designed, within the meaning of Rev. Rul. 2004-80, for hauling feed, seed, or fertilizer to and on farms.

Accordingly, Forage Box Body 1, Forage Box Body 2, and any combination of installed Accessories, fall within the exemption provided by § 4053(2). Therefore, Taxpayer's first retail sales of Forage Box Body 1 and Forage Box Body 2 and any combination of installed Accessories are exempt from the tax imposed by § 4051(a)(1).

Semitrailer Forage Box is a semitrailer with a design. The components that comprise the body of Semitrailer Forage Box, and any combination of installed Accessories, fall within the exemption provided by § 4053(2). However, the § 4053(2) exemption only applies to bodies; it is inapplicable to chassis. Although Semitrailer Forage Box has no , it has Chassis Components that perform the transportation function of a chassis. See Not. 2017-5, Rev. Rul. 70-547, Rev. Rul. 78-308, and Rev. Rul. 78-8. Further, because the chassis of the Semitrailer Forage Box is designed to perform the function of transporting a load over public highways in combination with a taxable tractor and the vehicle does not meet the definition of "off-highway vehicle" in § 7701(a)(48)(A), tax is imposed by § 4051(a)(1) on the first retail sale of Semitrailer Forage Box on that portion of the sale price that is attributable to the Chassis Components.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Charles J. Langley, Jr.
Senior Technician Reviewer, Branch 7
(Passthroughs & Special Industries)

Enclosures (2)
Copy of this letter
Copy for § 6110 purposes